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Sari Cincau Ngrayun Equals with Modern Ready-to-Drink Beverage

Sari Cincau
Ngrayun
Equals

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Abstract

Purpose – This research aims to know the condition of small and medium enterprises, after guidance by the Department of Industry Trade and Cooperatives of Ponorogo. This is done as an attempt to increase the efficiency and effectiveness of the coaching that has been done.

Findings – From the research, it is known that there are three types of trainings starting from 2010 up to 2013. However, these data are not supported by its business as well as the company name. Samples of 50 participants varying in duration and the type of training were assessed. About 52% (26 SME) participants had a business, 24% did not, and the remaining 24% could not be located. While owning a business, they do not have the financial data in writing. This indicates that SMEs do not have the basic financial statements, which can be used to evaluate its financial management.

Research Limitations/Implications – Of the 26 who already have a business, 10 were in the traditional food industry (chicken satay, Dodol, ground coffee, and sugar), whereas 7 were in industrial baking and pastry and 9 in craft Industry consisting of batik, reog, and leather crafts. This research limitation hasn't mapped the existing SMEs in Ponorogo district who have not attend the training and who have attended the training.

Practical Implications – This results of this study have practical implications in Capitalized readily in abundance; jelly-making training organized by Department of Industry, Trade and Cooperatives resulted in the increase in value-added products. This success is supported by the awareness of the leader villages. However, the development effort still needs assistance for the need for promotion as well as the establishment of a marketing network. Besides strengthening the supply system, also needed is the maintenance of the existence of this business, which means that is expected to increase the economy.

Originality/Value – This is the first research that identifies the sari cincau ngrayun industry in Ponorogo city.

Keywords Value added, network marketing, system supply

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1. Introduction

In the economic development in Indonesia, SMEs are always portrayed as a sector that has important and strategic roles in the development of the national economy because of their role in the economic growth; employment also plays a role in the industry and the development, and SMEs are one of the main pillars in a developing economic system.



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However, its development is still lagging compared to other economic actors, although SMEs proved to be strong and resilient during the economic crisis.

Based on a BPS survey and the Office of the State Minister for Cooperatives and Small and Medium Enterprises (Mengkop & SME), small businesses [including household or micro businesses, i.e., businesses with a total sales (turnover) of a year less than 1 billion] in the year 2000 included 99.9% of the total businesses operating in Indonesia, while medium businesses (i.e., businesses with total annual sales ranging between IDR 1 billion and IDR 50 billion) covered only 0.14% of the total number of enterprises. This means that the potential of SMEs as a whole covers 99.9% of the total number of businesses engaged in Indonesia.

Seeing the role of SMEs in the economy in terms of the number of businesses and job creation, it takes a supportive environment as well as the involvement of all parties in the process of planning, execution, control, monitoring, and evaluation. Thus, ongoing development needs sustainable investment and stems from the ability of national resources and broad participation of communities and businesses; SMEs and cooperatives should be encouraged to expand opportunity and equitable playing field for all economic players to realize a populist economic system.

Business prospects of SMEs in the era of free trade and regional autonomy are highly dependent on the efforts made by the government in developing SME business. In *Ponorogo*, to cultivate SMEs, coaching is done as part of programs: Creating a program climate conducive to small and medium enterprises through socialization. Second, Development of Entrepreneurship and Small and Medium Enterprises Competitive Advantage offers training entrepreneurship. Achievement Motivation Training (AMT) and training management of SMEs are other such programs. Monitoring, evaluation, and socialization are conducted to evaluate if the coaching is beneficial for SMEs. Planning the guidance is more appropriate for both the module and the model of coaching.

The potential of small businesses in *Ponorogo* according to data *Indakop* 2003 recorded 62 business units. Like other small businesses, weaknesses and barriers in business management, related to both internal and external factors (Rapini, 2004), according to the People's Economic Empowerment Seminar are as follows: (1) Do not perform feasibility analysis, market, or cash turnover. (2) Do not have any long-term planning, adequate bookkeeping system as well as tools of other managerial activities that are generally required by a profit-oriented business. (3) There is shortage of business information, it simply refers to intuition and ambition manager, and is weak in potency. (4) There is lack of operational technical implementation guidelines and quality-control activities, so it is often inconsistent with the provisions of the order. (5) There is higher labor turnover. (6) Fees are beyond control. (7) Professional division of labor does not result in abundant jobs. (8) There is inadequate working capital and there is little information on how much working capital is actually needed. (9). There is too much inventory on products that are not selling well/ wrong. (10). There is mismanagement and indifference among managers regarding the principles of management. (11). Sources of capital are limited to the ability of the owner.

Strategies in the growth and development of SMEs through training conducted with several programs and activities include the following: First, Program Creation of Small and Medium Enterprise business climate conducive through socialization policies on SMEs, facilitating the development of SMEs. Second, the Entrepreneurship Development Program and the Small and Medium Enterprise Competitive Advantage through entrepreneurship training implementation, AMT, training on SME management, and socialization of intellectual property rights to the micro, small, and medium enterprises. Third, Program Development Support Systems Business for Small and Medium Businesses with activities of dissemination of information supporting the provision of capital; monitoring the

management of public funds for SMEs; improving networking of institutions; monitoring, evaluating, and reporting socialization and training; and providing funding assistance and marketing (Dewi, 2009).

In the implementation of such coaching, some of the obstacles faced by entrepreneurs and HR of *Indagkop* among others are: the inability of the entrepreneurs to repay their loans, the limited number of staff, and lack of information. Although on the other hand, there are some of the supporting factors such as availability of funds, its cooperation with other agencies, the availability of facilities, and infrastructure (Dewi, 2009).

With the research being expected to compile a database of training and that the coaching has been done by *Indagkop*, database financial performance of SMEs post-coaching is measured from the value of liquidity, capital turnover works, the ratio of debt to total capital, profitability, and the data constraints/problems encountered. These data are used as an ingredient for the preparation of the financial management model and applying them through training and mentoring. So the results of the research can be used as a material for modeling financial management, especially for SMEs, so as to make the financial statements with ease. It is expected that the development of SMEs is expected to have a positive impact on the community's economy.

2. Literature Review

There are two definitions of small and medium enterprises for small businesses in Indonesia (Festschrift economy-*blogspotcom*/2009/06):

- (1) Definition of small businesses according to Law No. 9 of 1995 concerning small business is the economic activity of the people who have a maximum annual sales results of Rp. 1,000,000,000 (1 billion) and net worth, excluding land and buildings, most Rp. 200,000,000.00.
- (2) According to the category of the Central Statistics Agency (BPS), a small business is synonymous with small industry and home industry. BPS classifies industries by number of employees as follows:
 - industrial worker households with 1–4 people;
 - small industry with workers 5–15 people;
 - manufacturer of the medium business with 20–99 workers; and
 - a large industry with 100 or more workers.

SME is a strategic force in accelerating the development of a region. Therefore, SMEs have an important position not only in the employment and social welfare areas, but they also become adhesive and stabilize social imbalances in many cases (Abidin). The existence of such SMEs as part of the overall national entity is a realization of a diverse economic life in Indonesia. However, there are still many problems faced by SMEs. Research on SMEs in the area of *Bantul, Yogyakarta*, reports some of the problems faced by SMEs; these include: (1) marketing, (2) capital and financing, (3) innovation and the utilization of information technology, (4) use of raw materials, (5) production equipment, (6) absorption and empowerment of labor, (7) business development plan, and (8) readiness to face the challenges of the external environment (Sriyana, 2010).

Obstacles or barriers that prevent SMEs are also confirmed by Lumbanarja (2011): in the construction and development of SMEs, there are many direct or indirect strategies and methods. The main obstacles are: (a) limited human resources capacity of SMEs to absorb and apply the existing policies; (b) trends in political climate and economy are not conducive and also affect the development of SMEs; (c) relatively low levels of awareness of builder

and related agencies toward the development of SMEs' units of work; (d) conditions for free trade (globalization) require that SMEs do not just exist to survive but are also improve services and productivity of its business so that it can produce high-quality products; (e) the existence of gaps are structured fairly wide between SMEs and big businesses in the national economy because of the imbalance rate of growth of both; (f) there exists an overlap in the execution of local regulations and facility; (g) there exists weakness of the competitiveness of SMEs at local, regional, national, and global levels; and (h) low soul entrepreneurial SMEs lowers the ability to innovate and diversify the business.

In *Ponorogo*, there are barriers to SMEs, as reported by research results of *Ratna Dewi Trisuma*; these include: HR entrepreneurship, the entrepreneur's inability to repay their loans, the limited number of staff, and lack of information. Although on the other hand, some of the supporting factors also exist, such as availability of funds, cooperation with other agencies, the availability of facilities, and infrastructure (Dewi, 2009). In connection with the various constraints faced by SMEs, we need a strategy to overcome them. It needs the support of all parties, from the employers' associations, universities, and departments/agencies environment of the district/city and the province, besides the necessary government policies that encourage the development of SMEs (Sriyana, 2010).

In the development of SMEs, the government through the Ministry of Cooperatives and Small and Medium Enterprise policy emphasizes on improving competitiveness by providing reinforcement-strengthening of both financial and nonfinancial. This is done by preparing an operational program in the form of policies, such as: (a) program growth conducive business climate, (b) program to improve access to productive resources, (c) program fostering entrepreneurship with a competitive advantage, and (d) program to improve public participation and the world efforts in the empowerment of cooperatives and SMEs in an integrated set-up (Lumbanraja, 2011).

Meanwhile, according to Warrantor (2012), to encourage the growth of SMEs, the local government needs to make efforts toward empowerment of strategies for SMEs through SME human resource development, improvement of access of SMEs to loan portfolio expansion, increased productivity, and optimization of coordination.

In this case, the government of *Ponorogo* district through *Indagkop* has conducted coaching which includes the following: First, Program Creation of Small and Medium Enterprise business climate conducive through socialization policies on SMEs, facilitating the development of SMEs. Second, the Entrepreneurship Development Program and the Small and Medium Enterprise Competitive Advantage through entrepreneurship training implementation, AMT, training on SME management, and socialization of intellectual property rights to the micro, small, and medium enterprises. Third, Development Support Systems Business for Small and Medium Businesses with activities of dissemination of information supporting the provision of capital; monitoring the management of public funds for SMEs; improving networking of institutions; monitoring, evaluating, and reporting socialization and training; and providing funding assistance and marketing (Dewi, 2009).

Ahmad Rifa'i (2013) state that the 30 SMEs fostered by *PT Jasa Bina Marga* through the program 2009/2010 at 2 months after training and loans showed no desired improvement in the five observed variables (human resources, production management, financial administration, marketing, motivation, and business plans). However, the results began to improve after 2–5 months of supervision (months to 3 to 7) and observations.

3. Research Methods

The scope of this research in *Ponorogo*, where the SMEs were studied, is the SMEs that have followed the guidance by *Indagkop* during 2011–2013. Primary and secondary data were collected. Primary data included data obstacles and constraints experienced by SMEs and financial data company/SME. To obtain the data and information, the researchers collected data by direct interviews with a guide from the questionnaire (interview) on the object studied, while the secondary data included the data on training and coaching done by *Indagkop Ponorogo* as well as the SME participants. These data were obtained from the Department *Indagkop* as well as from existing documents on the object under research in *Indagkop* or from the ones that SMEs researched.

4. Results and Discussion

From the above data, there is no information on the type of business as well as the company's name. The participation of the participants includes the name and the residence address. From a total of 1020 participants, 650 were trainee entrepreneurs (63.7%), 195 participants (19.15%) received training on training skills/crafts, 150 participants (14.7%) received training geared to society tobacco industry, and 25 participants (2.45%) received training on the cooperative of women.

Fifty participants varying in type and duration of training were assessed: 26 (52%) participants already had a business, while 12 (24%) of participants did not. The other 24% could not be located (as many as 12 participants).

However, of the 26 participants, who already had a business, did not have a record of good bookkeeping. Therefore, there was no information on the amount of assets and the company's operational activity level. Therefore, financial performance could not be measured.

Interesting was the existence of SMEs that produced provisional *cincau*. Provisional *cincau* is the flagship product of the District Ngrayun, *Ponorogo*. Farmers' provisional *cincau* was only sold in the form of raw materials that were sent to various cities. However, in the recent years, they formed a business group (KUB) *Rizki Agung*. Though KUB is provisional, *Ngrayun* no longer penetrated the city in the form of original/raw, but has added value because it is now sold as ready drinks.

Coaching and training undertaken by *Indagkop Ponorogo* is intended to improve people's skills and knowledge of employers, theoretical and conceptual. The coaching and training is expected to improve the quality of human resources in *Ponorogo*. As pointed by Hasibuan (2003), development is an attempt to improve the technical skills, theoretical and conceptual, and the morale of employees in accordance with the needs of the job/position through education and training.

Development of the sari is tentative evidence of the presence of skills training to improve the ability of SMEs. Commodities provisional later became provisional, beginning with the jelly-making training organized by *Indagkop* followed by the village chief and villagers in the district *Ngrayun*.

However, the results of this training did not last long because the jelly produced was not viable, so it is a problem in the market for the products of the jelly.

A regional leader expects the public to produce more value-added products so that the product can be sold and become a source of income for the community. people skills in producing a product that has more value should be continuously improved. one of the regional leaders who did this was Mr. Bambang Sucipto, a village head, who always made a training program for his community to have skills in experimenting on seaweed crops processed into jelly products

This success is obtained through experiments for 6 months and supported by the procurement of equipment, which is not cheap. The success continues with the title she won for the first place in the category of micro entrepreneurs, and third place in the category of small businesses for beverages in East Java. With this success, coaching in *Indagkop* needs to be followed by the Regional Office of East Java and also assistance should be given in the form of more modern processing machines, so that with the machine, it will display that provisional drinks can be paired with other instant drinks. This success would need to be developed more in terms of marketing, namely, the sale, so the existence of the product can be known by a wider audience. Moreover, a variable marketing network (distribution system) is also required, so that the consumers know how they can easily obtain the product, which is also often a problem of SMEs, which is how to supply the product. Therefore, if the consumer finds it difficult to obtain the product at the time of need, it can be an opportunity for a replacement product.

5. Conclusions and Recommendations

5.1. Conclusions

- (1) There are three types of training conducted by *Indagkop*, namely, entrepreneurship training, skills-based training, and training aimed at cooperative.
- (2) Skills training can increase the additional value of a product.
- (3) The participation of community leaders/leadership is needed to drive SMEs in environment.

5.2. Recommendations

- (1) It should be further researched to map existing SMEs in *Ponorogo*, as those who have training and those who do not, which is not a data-based training.
- (2) More technical training, which is done outside production time (hours), is needed.
- (3) Type of training that has been followed by SMEs should be mapped.
- (4) Structured type of training is needed, and the implementation should be done gradually
- (5) Parties outside the government should undertake development of SMEs; as the number of SMEs is huge, all are not covered by the government.

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